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ANNUAL REPORT

for the year ended January 30

1960

MANGEL STORES

CORPORATION AND SUBSIDIARIES

Shoppers Fair stores provide ample parking facilities

Activities at checkout counters at a Shoppers Fair store

ANNUAL REPORT

for the year ended January 30

1960

MANGEL STORES

CORPORATION

EXECUTIVE OFFICES

115 West 18th Street, New York 11, N. Y.

ANNUAL MEETING

First Tuesday in May

LISTED

American Stock Exchange

Directors

HERBERT J. DEITZ
ISRAEL A. DIAMOND
PHILIP DIAMOND
PHILLIP F. FRANKEL
SAUL C. GUZY
GEORGE M. JAFFIN
AL KLEIN
SIDNEY MANGEL
SOL MANGEL
MAX WEINREICH

Officers

SOL MANGEL	President
PHILLIP F. FRANKEL	Vice-President
SIDNEY MANGEL	Vice-President and Assistant Secretary
ISRAEL A. DIAMOND	Vice-President and Assistant Treasurer
SAUL C. GUZY	Vice-President and Assistant Secretary
SOPHIA KAUFMAN	Vice-President
PHILIP DIAMOND	Treasurer
MAX WEINREICH	Secretary
AL KLEIN	Assistant Secretary and Controller

COUNSEL	Cole, Grimes, Friedman & Deitz, New York, N. Y.
AUDITORS	S. D. Leidesdorf & Co., New York, N. Y.
TRANSFER AGENT	Morgan Guaranty Trust Company of New York 140 Broadway, New York 15, N. Y.
REGISTRAR	Manufacturers Trust Company 55 Broad Street, New York 4, N. Y.

PRESIDENT'S LETTER

To Our Shareholders:

It is with particular pride that I submit to you the financial report of your Company for the year ended January 30, 1960, a record year for sales and earnings.

SALES

Net sales including income from leased departments were $54,334,304 this year compared with $42,654,510 last year, an increase of $11,679,794 or 27.4%. This increase was derived, principally, from the new large self service Shoppers Fair stores opened in this fiscal year.

There were 125 stores in operation at the start of the year. During the year we opened five Shoppers Fair stores and closed four Mangel stores, leaving 126 stores in operation at the end of the year. The Shoppers Fair stores are discussed on the following pages.

Fiscal Years Ended Approximately January 31

EARNINGS

Net earnings after taxes reached the record level of $1,593,353 compared with $1,142,366 last year, an increase of $450,987 or 39.5%. Share earnings were $2.53 this year and $2.24 last year based on the average number of shares outstanding. The improvement in earnings resulted from the higher sales volume and from economies effected in the operation of the business.

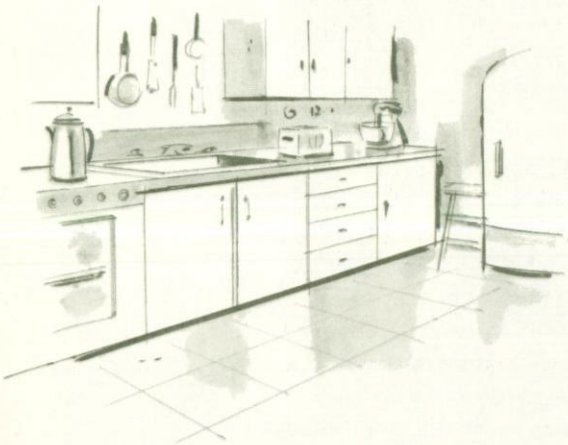
The average number of shares outstanding this year was 629,030 as compared to 508,737 last year.

The increased number of shares outstanding resulted almost entirely from the substantial conversions during the year by the holders of the Company's outstanding 5½% Convertible Debentures. Originally issued in the amount of $3,000,000, all but $337,000 of the debentures were converted to stock by the end of the fiscal year, $1,883,000 having been converted during the fiscal year. Since the close of the year additional debentures totaling $97,000 were converted.

In order to present a clearer account of the store operations, we show separately the operation of the real estate subsidiaries. This may be observed in the Consolidated Statement of Income and the Condensed Summary of Assets and Liabilities of Unconsolidated Real Estate Subsidiaries, shown on Pages 12 and 13, respectively.

DIVIDENDS

Payments of four quarterly dividends of 30¢ each or a total of $1.20 per share were made during the year. Based on the increased number of shares outstanding, a total of $754,836 was paid this year against $610,485 last year.



FINANCIAL CONDITION

The financial condition of your Company at the year's end reflects another period of substantial progress.

Customers accounts receivable, merchandise inventories and shareholders' equity all show substantial upward changes.

Shareholders' Equity increased, principally, as a result of two factors, earnings for the year and conversion of debentures to stock, as follows:

Net Earnings for the Year	$1,593,353
Debentures converted to stock	1,883,000
Sales of stock to optionees	54,416
	3,530,769
Less: Dividends Paid	754,836
Other items	113,346
	868,182
Net Increase in Shareholders' Equity	$2,662,587

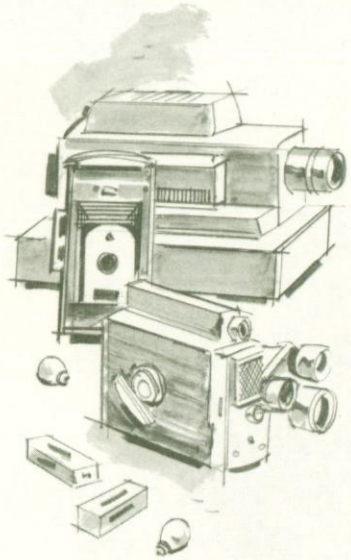
SHOPPERS FAIR DISCOUNT STORES

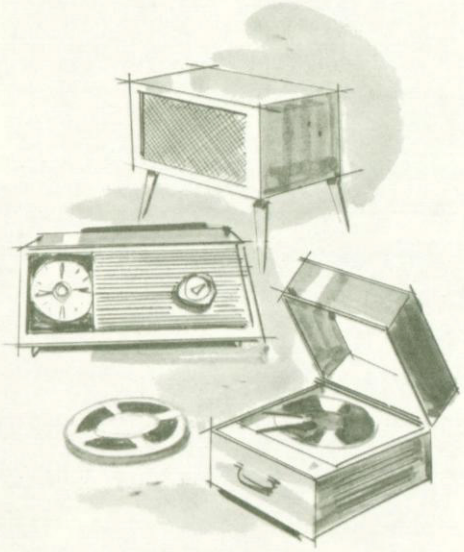
In 1956 your Company opened its first self service discount department store in Bridgeport, Connecticut, under the name "Shoppers Fair." There are now in operation 15 such Shoppers Fair stores. The Company plans to open 11 additional Shoppers Fair stores during the current year of which 8 presently are in various stages of construction.

In addition to the usual items of women's and children's wearing apparel sold in our conventional stores, we also sell a host of other items in our Shoppers Fair stores including menswear, shoes, domestics, housewares and hardwares, toys, photographic equipment and sporting goods.

After thorough study we are convinced of the soundness of this type of retail distribution and present plans contemplate continued expansion of such activities.

Your Company was among the first national retail organizations to enter this field, and we believe that the knowledge and experience thereby gained will serve it well in maintaining its competitive position.





GENERAL

With economic conditions remaining favorable, we look forward to further expansion of sales and profits.

On behalf of the directors and officers of your Company, I wish to convey our gratitude to all employees, suppliers, customers and shareholders for their support and cooperation in making possible another successful year.

President

April 20, 1960

Ten Year Summary of Progress

	FISCAL YEARS		
	1960	1959	1958
INCOME DATA			
Net Sales*	$54,334,304	$42,654,510	$39,529,035
Income before Federal Taxes	2,553,353	1,797,366	1,719,033
Income after Federal Taxes	1,593,353	1,142,366	1,049,033**
Dividends Paid	754,836	610,485	581,638
Number of Stores	126	125	123
BALANCE SHEET DATA			
Current Assets	$13,159,014	$11,906,041	$ 8,929,702
Current Liabilities	3,386,345	2,012,557	2,961,206
Net Working Capital	9,772,669	9,893,484	5,968,496
Current Ratio	3.9	5.9	3.0
Accounts Receivable	$ 3,277,502	$ 2,776,514	$ 2,796,598
Merchandise Inventories	5,799,507	5,169,587	3,969,138
Fixed Assets	5,139,956	5,092,203	5,013,737
Long-Term Debt	2,819,000	5,169,000	3,416,000
Shareholders' Equity	14,020,446	11,357,859	10,078,219
PER SHARE DATA (all years adjusted for 100% stock distribution made on 5/28/57)			
Net Income (Based on average shares outstanding)	$ 2.53	$ 2.24	$ 2.07**
Dividends	1.20	1.20	1.15
Book Value	20.86	20.47	19.92

*Net sales for 1956 and subsequent years include income from leased departments and for 1955 and prior years include sales of leased departments.

**Before deduction of special item of $160,249 ($.32 per share) in 1958 and $148,702 ($.30) per share in 1957.

Figures for the years 1951-1959 have been revised to exclude unconsolidated real estate subsidiaries in conformity with the principles of consolidation adopted for 1960.

MANGEL

STORES CORPORATION AND
CONSOLIDATED SUBSIDIARIES

ENDED (APPROXIMATELY) JANUARY 31

1957	1956	1955	1954	1953	1952	1951
$33,177,700	$28,915,939	$27,564,670	$28,491,478	$29,013,922	$29,116,235	$25,635,310
2,000,260	1,642,986	1,358,214	1,416,396	1,161,101	1,120,674	1,029,169
1,275,260**	1,079,986	890,215	856,953	757,998	743,721	615,404
505,574	353,902	316,108	316,608	256,287	256,787	256,787
125	118	117	117	114	117	115
$ 8,887,515	$ 8,905,796	$ 7,805,653	$ 7,693,210	$ 7,151,069	$ 7,790,923	$ 6,327,051
1,943,846	2,321,724	1,374,249	1,315,066	1,295,592	1,791,277	2,008,411
6,943,669	6,584,072	6,431,404	6,378,144	5,855,477	5,999,646	4,318,640
4.6	3.8	5.7	5.9	5.5	4.3	3.2
$ 2,976,121	$ 2,834,455	$ 2,312,078	$ 1,947,215	$ 1,771,636	$ 1,734,182	$ 1,335,780
3,628,380	3,338,297	3,246,598	3,006,483	2,969,312	3,072,182	3,490,150
4,133,141	3,645,885	3,259,469	3,689,032	3,844,136	3,719,983	3,489,450
3,883,000	3,350,000	2,617,000	2,894,000	3,151,000	3,418,000	2,135,000
9,763,895	9,142,911	8,416,827	7,851,221	7,310,876	6,859,885	6,372,950
$ 2.52**	$ 2.13	$ 1.76	$ 1.69	$ 1.49	$ 1.45	$ 1.20
1.00	.70	.625	.625	.50	.50	.50
19.31	18.08	16.65	15.50	14.43	13.36	12.41

Comparative Consolidated Balance Sheet

As at January 30, 1960 - January 31, 1959

Assets

	1960	1959
CURRENT ASSETS:		
Cash	$ 2,974,875	$ 1,713,952
United States Government securities – at cost, plus accrued interest (approximate market value), less amounts applied in reduction of reserve for Federal income taxes – per contra ($20,622, 1960; $807,766, 1959)	—	221,574
Investment in short-term commercial paper – at cost, plus accrued interest	997,875	1,986,806
Accounts receivable – trade, less reserves for doubtful accounts ($348,670, 1960; $245,189, 1959) and unearned service charges ($329,506, 1960; $284,794, 1959)	3,277,502	2,776,514
Miscellaneous receivables	109,255	37,608
Merchandise inventory – at the lower of cost or market, based upon the retail method of inventory valuation (including merchandise in transit – at cost – $347,898, 1960; $263,053, 1959)	5,799,507	5,169,587
TOTAL CURRENT ASSETS	13,159,014	11,906,041
INVESTMENTS AND OTHER ASSETS:		
Investments in (at underlying book equity) and advances (net) to unconsolidated real estate subsidiaries – Note A and Page 13	1,363,465	1,020,899
Deposits and miscellaneous other assets	223,248	122,340
	1,586,713	1,143,239
FIXED ASSETS – at cost:		
Real estate – less reserve for depreciation ($6,476, 1960)	129,358	135,834
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization ($3,780,806, 1960; $3,831,212, 1959)	5,010,598	4,956,369
	5,139,956	5,092,203
DEFERRED CHARGES:		
Unamortized financing expense	21,971	146,350
Unexpired insurance	200,891	123,868
Prepaid taxes, expenses, etc.	117,245	127,714
	340,107	397,932
GOODWILL	1	1
	$20,225,791	$18,539,416

The accompanying Notes to Consolidated Financial Statements are an

Liabilities

	1960	1959
CURRENT LIABILITIES:		
Current installments of long-term debt – Note B	$ 467,000	$ 267,000
Accounts payable – merchandise, less discounts	804,232	847,186
Accounts payable – expenses, taxes, etc.	959,656	776,943
Customers' deposits on layaway sales and credits	115,165	121,428
Reserve for Federal income taxes, less United States Government securities – at cost, plus accrued interest – per contra ($20,622, 1960; $807,766, 1959)	1,040,292	—
TOTAL CURRENT LIABILITIES	3,386,345	2,012,557
LONG-TERM DEBT, LESS CURRENT INSTALLMENTS – Note B:		
Note payable – bank	1,200,000	1,400,000
Notes payable – insurance company	1,282,000	1,549,000
5½% Convertible Subordinated Debentures, due March 1, 1973	337,000	2,220,000
	2,819,000	5,169,000
GUARANTEES OF MORTGAGES PAYABLE OF UNCONSOLIDATED REAL ESTATE SUBSIDIARIES AND LONG-TERM LEASES – Note D		
TOTAL LIABILITIES	6,205,345	7,181,557
CAPITAL STOCK AND SURPLUS – Notes B and C:		
Common Stock – par value $1 per share:		

	Shares			
	1960	1959		
Authorized	1,000,000	1,000,000		
Issued	726,291	612,201	726,291	612,201
Less: Treasury stock	54,121	57,571	54,121	57,571
Outstanding	672,170	554,630	672,170	554,630
Surplus:				
Capital Surplus			3,201,817	1,495,287
Earned Surplus			10,146,459	9,307,942
			14,020,446	11,357,859
			$20,225,791	$18,539,416

integral part of this statement and should be read in conjunction herewith.

Comparative Consolidated Statement of Income and Earned Surplus

For the year (52 weeks) ended January 30, 1960 - January 31, 1959

	1960	1959
Net sales, including income from leased departments	$54,334,304	$42,654,510
Cost of sales, and selling, general and administrative expenses (exclusive of depreciation and amortization), less service charges on customers accounts	51,018,634	40,016,077
	3,315,670	2,638,433
Depreciation and amortization	856,204	839,844
	2,459,466	1,798,589
Net income of unconsolidated real estate subsidiaries (depreciation of $78,201 and $71,474, respectively – deducted) – Note A	38,368	33,688
	2,497,834	1,832,277
Other income (deductions) – net	55,519	(46,411)
Net income before Federal income taxes	2,553,353	1,785,866
Federal income taxes	960,000	643,500
Net income	1,593,353	1,142,366
Earned Surplus as at January 31, 1959 and February 1, 1958	9,307,942	8,776,061
	10,901,295	9,918,427
Deduct:		
Cash dividends paid on Common Stock – $1.20 per share in 1960 and in 1959	754,836	610,485
Earned Surplus as at January 30, 1960 and January 31, 1959 – Notes B and C	$10,146,459	$ 9,307,942

Comparative Consolidated Statement of Capital Surplus

For the year (52 weeks) ended January 30, 1960 - January 31, 1959

	1960	1959
Capital Surplus as at January 31, 1959 and February 1, 1958	$ 1,495,287	$ 796,104
Add:		
Excess of principal amount of 5½% Convertible Subordinated Debentures, due March 1, 1973, over aggregate par value of Common Stock issued upon conversion of such Debentures – $1,883,000 converted for 114,090 shares in 1960 and $780,000 converted for 47,261 shares in 1959 – Note B	1,768,910	732,739
Excess of consideration received over aggregate par value of shares of Common Stock (treasury stock) issued upon exercise of options – Note C:		
Issued under plan approved by Board of Directors in 1957: 3,020 shares 1960; 1,315 shares 1959	42,280	18,410
Issued under plan approved by Board of Directors in 1959: 430 shares	8,686	—
	3,315,163	1,547,253
Deduct:		
Unamortized financing expense applicable to Debentures converted into Common Stock	112,506	51,686
Cash paid in lieu of fractional shares on conversion of Debentures into Common Stock	840	280
	113,346	51,966
Capital Surplus as at January 30, 1960 – January 31, 1959	$ 3,201,817	$ 1,495,287

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements and should be read in conjunction herewith.

CONDENSED SUMMARY OF ASSETS AND LIABILITIES—Note A

As at January 30, 1960 and January 31, 1959

Unconsolidated Real Estate Subsidiaries—Combined

	1960	1959
Land and buildings – at cost, subject to mortgages, less reserves for depreciation of $337,723 and $259,522, respectively – Note 1	$3,266,831	$2,843,098
Construction in progress – Notes 2 and 3	245,553	12,475
	3,512,384	2,855,573
Mortgages payable, current portions $76,597 and $60,945, respectively – Notes 1 and 3	2,240,272	1,853,246
	1,272,112	1,002,327
Other assets, including cash of $22,892 and $16,245, respectively	197,368	57,535
	1,469,480	1,059,862
Accounts payable – expenses, taxes, etc. and reserve for Federal income taxes	106,015	38,963
Excess of assets over liabilities, exclusive of amounts due to parent company of $594,964 and $290,766 – net, respectively	$1,363,465	$1,020,899
Consisting of:		
Advances by parent company – net	$ 594,964	$ 290,766
Capital Stock	630,932	630,932
Earned Surplus	137,569	99,201
	$1,363,465	$1,020,899

NOTE 1 – The mortgages payable bear interest at the rate of 4% to 5½%, and are payable in installments over a period of years terminating March 1, 1980. The mortgages are collateralized by land and buildings of the unconsolidated real estate subsidiaries and by intercompany and other leases. The mortgages are also guaranteed by the parent company.

NOTE 2 – Commitments for uncompleted construction as at January 30, 1960, aggregate approximately $840,000.

NOTE 3 – Mortgage financing, aggregating $1,200,000, has been arranged for properties under construction.

Notes to Consolidated Financial Statements

As at January 30, 1960

The accompanying financial statements as at and for the year (52 weeks) ended January 31, 1959, have been included for comparative purposes only and have been revised to conform to the principles of consolidation adopted during the year ended January 30, 1960. See Note A.

NOTE A – PRINCIPLES OF CONSOLIDATION:

During the current year, the Company adopted a policy of excluding all operating real estate subsidiaries from its consolidated financial statements. A condensed summary of assets and liabilities of these subsidiaries is set forth on Page 13. The accounts of all other subsidiaries are included in the accompanying consolidated financial statements.

NOTE B – LONG-TERM DEBT:

Installments of long-term debt are payable as follows:

Year ending January	Total	Note Payable – Bank (4½%)	Notes Payable – Insurance Company (3¼% to 4%)	5½% Convertible Subordinated Debentures, Due March 1, 1973
1961	$ 467,000	$ 200,000	$ 267,000	
1962	1,932,000	1,200,000	732,000	
1963	100,000		100,000	
1964	100,000		100,000	
1965	100,000		100,000	
1966-74	587,000		250,000	$ 337,000
	$3,286,000	$1,400,000	$1,549,000	$ 337,000

The 5½% Convertible Subordinated Debentures, due March 1, 1973, require annual sinking fund payments, starting in 1961, sufficient to redeem annually $210,000 principal amount of debentures at declining premiums starting at 2½%. Because of the conversion of Debentures to Common Stock, sinking fund requirements have been completely met through February 28, 1972. The Debentures are redeemable at the option of the Company, other than for the sinking fund, at diminishing rates starting at 105½%; are convertible by the holders into Common Stock at $16.50 per share to March 1, 1963, at $18.00 to March 1, 1968, and at $19.50 thereafter; and are subordinated to senior indebtedness (as defined) which at January 30, 1960, consisted of all of the other long-term debt of the Company and unconsolidated subsidiaries, including current installments thereof and accrued interest. Debentures converted into Common Stock aggregated $2,663,000 to January 30, 1960, and $97,000 for the period from January 31, 1960 to March 28, 1960 (see Note C).

The loan agreements with the bank and insurance company and the indenture relating to the 5½% Convertible Subordinated Debentures provide, among other things, restrictions on the payment of dividends other than stock dividends, purchase of the Company's capital stock, and making of certain investments. At January 30, 1960, approximately $2,271,000 of consolidated surplus was free of these restrictions.

NOTE C – CAPITAL STOCK AND SURPLUS:

At January 30, 1960, 20,425 shares of authorized Common Stock are reserved for conversion of the outstanding 5½% Convertible Subordinated Debentures. Between January 31, 1960 and March 28, 1960, additional debentures aggregating $97,000 were converted into 5,875 shares of Common Stock and $108 cash paid in lieu of fractional shares.

Under the stock option plan approved by the Company's Board of Directors in 1957, (1) at January 31, 1959, options for 11,505 shares were outstanding, (2) during the year options under this plan were exercised for 3,020 shares at $15.00 per share, (3) options for 2,140 shares were terminated and (4) at January 30, 1960, options were outstanding

for 6,345 shares at $15.00 per share. Between January 31, 1960 and March 28, 1960, options for 800 shares were exercised at $15.00 per share.

On June 16, 1959, the Company's Board of Directors granted restricted stock options to 42 employees of the Company and its subsidiaries for the purchase of an aggregate number of 6,650 shares of the Company's Common Stock at a price of $21.20 per share, representing 85% of the mean average price on the American Stock Exchange on the date the options were granted. Each option is non-transferable and is exercisable from the date of grant until termination of employment of the optionee, but not later than June 15, 1964, and the optioned shares may be purchased only through a payroll deduction plan. The Company intends to issue only Common Stock held in treasury in satisfaction of all options exercised. The Company intends to credit to its Capital Surplus account the excess of proceeds received over the par value of treasury shares issued upon exercise of options. During the year options under this plan were exercised for 430 shares at $21.20 per share, and at January 30, 1960, options were outstanding for 6,220 shares. Between January 31, 1960 and March 28, 1960, options with respect to 290 shares were exercised at $21.20 per share.

See Note B for restrictions affecting capital stock and consolidated surplus.

Consolidated surplus includes undistributed earnings of subsidiaries which may be subject to Federal and state income taxes if and when received by the Company in the form of dividends.

NOTE D – GUARANTEES OF MORTGAGES PAYABLE OF UNCONSOLIDATED REAL ESTATE SUBSIDIARIES AND LONG-TERM LEASES:

Mortgages payable by unconsolidated real estate subsidiaries are guaranteed by the parent company. See condensed summary of assets and liabilities of unconsolidated real estate subsidiaries, Page 13.

As at January 30, 1960, the minimum annual rentals on property covered by 102 leases expiring after January 31, 1963, exclusive of intercompany rentals, amounted to approximately $1,809,000. The minimum annual rentals on property covered by 6 leases expiring after January 31, 1963, with unconsolidated subsidiaries amounted to approximately $260,000.

Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc. In addition, one lease agreement provides for a rental exclusively on the basis of sales.

GENERAL:

The accompanying consolidated financial statements are subject to final determination of Federal, state and local taxes.

Accountants' Report

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

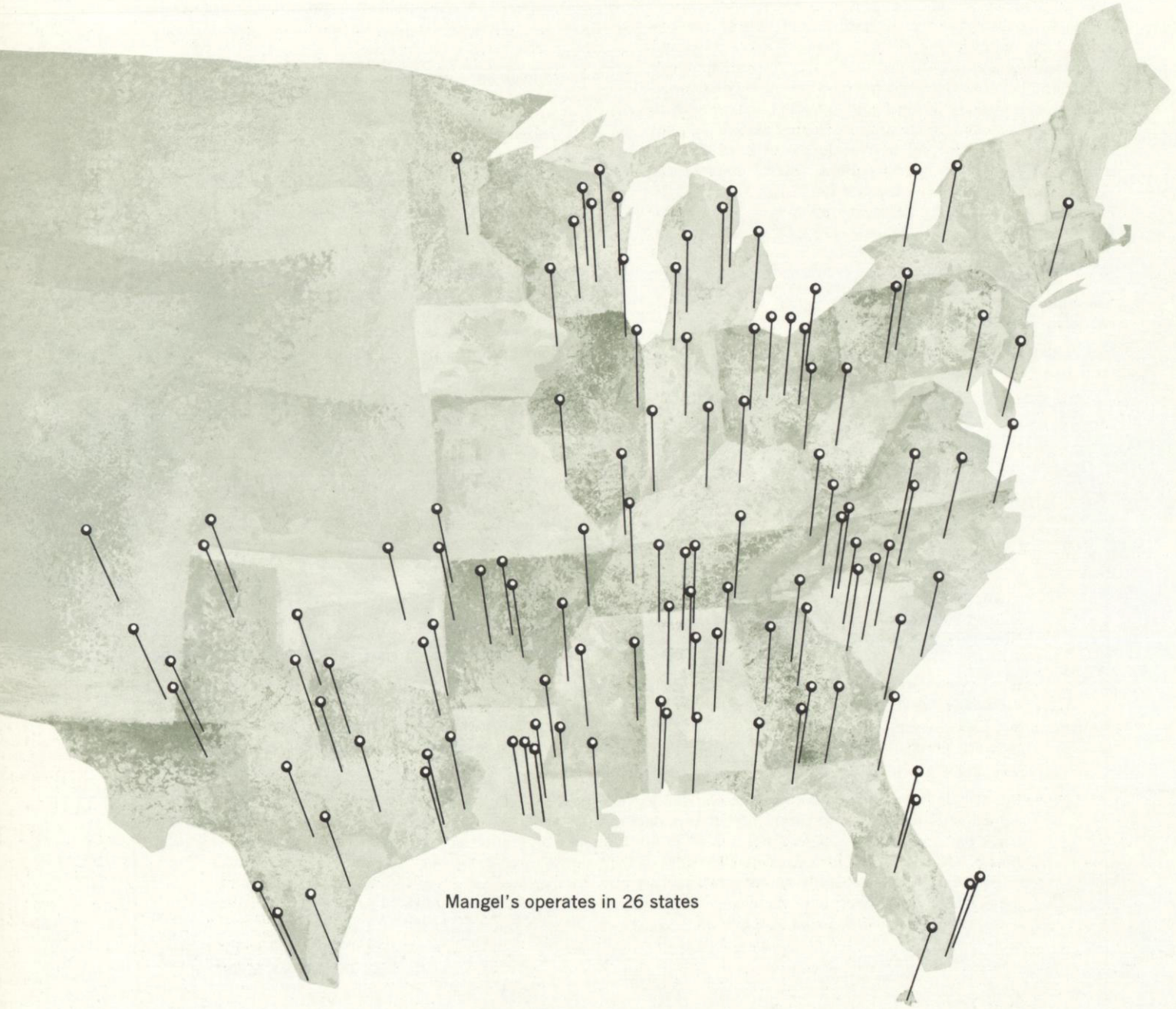
We have examined the consolidated balance sheet of Mangel Stores Corporation and consolidated subsidiaries as at January 30, 1960, and the related consolidated statements of income and earned surplus and capital surplus for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and earned surplus and capital surplus, together with the notes to consolidated financial statements, present fairly the consolidated financial position of Mangel Stores Corporation and consolidated subsidiaries at January 30, 1960, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the principles of consolidation referred to in Note A of the notes to consolidated financial statements.

S. D. LEIDESDORF & CO.

New York, N. Y.
April 1, 1960

MANGEL
STORES CORPORATION



Mangel's operates in 26 states

MANGEL
STORES CORPORATION

126 Store Locations

ALABAMA
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile
Montgomery (2)
Prichard
Selma
Tuscaloosa

ARKANSAS
Fayetteville
Fort Smith
Hot Springs
Little Rock
Pine Bluff

CONNECTICUT
Bridgeport (2)

FLORIDA
Jacksonville
Key West
Miami (2)
Miami Beach (2)
Orlando
Panama City
Pensacola (2)
Tallahassee
Tampa

GEORGIA
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

ILLINOIS
Chicago
Danville

INDIANA
Evansville
Indianapolis
South Bend

IOWA
Clinton

KENTUCKY
Lexington
Paducah
Shively

LOUISIANA
Baton Rouge (2)
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

MARYLAND
Baltimore
Salisbury

MICHIGAN
Detroit
Flint
Kalamazoo
Saginaw

MINNESOTA
St. Paul

MISSISSIPPI
Greenville
Jackson
Meridian
Natchez

MISSOURI
St. Louis (2)

NEW MEXICO
Hobbs
Santa Fe

NEW YORK
Rochester
Syracuse

NORTH CAROLINA
Asheville
Charlotte
Elizabeth City
Greensboro
Raleigh

OHIO
Canton
Columbus
Dayton
Lancaster
Zanesville

OKLAHOMA
Muskogee

PENNSYLVANIA
Altoona
Johnstown

SOUTH CAROLINA
Aiken
Charleston
Columbia
Greenville
Greenwood
Spartanburg

TENNESSEE
Chattanooga
Jackson
Johnson City
Memphis

TEXAS
Amarillo
Austin
Baytown
Beaumont (2)
Big Spring
Borger
Brownsville
Brownwood
Corpus Christi (2)
Dallas (3)
Galveston (2)
Harlingen
Longview
McAllen
Midland
San Antonio (2)
Texarkana
Waco
Wichita Falls

WEST VIRGINIA
Charleston
Huntington

WISCONSIN
Fond du Lac
Green Bay
Madison
Oshkosh
Sheboygan

MANGEL STORES

CORPORATION